Public Service Superannuation Board

Annual Report

for the period April 1, 1989 to December 31, 1989

SEVENTIETH ANNUAL REPORT

OF THE

PUBLIC SERVICE SUPERANNUATION BOARD

FOR THE PERIOD

APRIL 1, 1989 TO DECEMBER 31, 1989

Ontario

The Management Board of Cabinet

Conseil de gestion du gouvernement de l'Ontario

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To his Honour, the Lieutenant Governor
of the Province of Ontario

MAY IT PLEASE YOUR HONOUR

The undersigned respectfully presents herewith the Report of the Public Service Superannuation Board for the period from April 1, 1989 to December 31, 1989.

Respectfully submitted,

Murray J. Elston, M.P.P.
Bruce
Chairman

enc.

Ontario

Public Service Superannuation Board

Commission du régime de retraite des fonctionnaires

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The Honourable Murrary Elston
Chairman of the Management Board

SIR:

I have the honour to submit the Report of the Public Service Superannuation Board for the period from April 1, 1989 to December 31, 1989.

Respectfully submitted,

Stephanie J. Wychowanec
Chairman

PUBLIC SERVICE SUPERANNUATION BOARD

The Board was first established in 1920 under an Act of the Legislature of Ontario. It operated under the Public Service Superannuation Act (R.S.O. 1980, chapter 419), as amended.

The Members of the Board were appointed by the Lieutenant Governor in Council. At the end of the period under review, the Board had the following Members:

S.J. Wychowanec, Q.C. (Chairman)
Chairman, Ontario Energy Board

J.A. Jackson
Executive Director
Property Management Division
Ministry of Government Services

E. McKee, Senior Policy Advisor
Pensions Policy Branch
Human Resources Secretariat
Management Board of Cabinet

S. McVittie
Benefits Officer
O.P.S. Employees Union

F.C. Paradis, Manager, Interpretation Planning and Reporting, Ministry of Government Services, was the Secretary.

In accordance with the Act, the Board approved disability and certain survivor pension benefits. It evaluated eligibility in special cases and heard appeals against routine decisions made by the Employee Pensions and Benefits Administration Branch of the Ministry of Government Services. Board decisions are usually made on the basis of written presentations, but affected parties could make personal presentations if so desired and be represented by counsel. The Board also advised the Minister on Public Service Superannuation Plan matters.

Seventeen meetings of the Board were held during the year period from April 1, 1989 to December 31, 1989.

As of January 1, 1990 the assets and liabilities of the Public Service Superannuation Fund were transferred to the Public Service Pension Fund. The Public Service Superannuation Act was repealed January 1, 1990 and the Public Service Superannuation Board was dissolved as of this date.

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CONTRIBUTORS

During the period covered by this Report, 4,617 new contributors to the Public Service Superannuation Fund were added and 3,648 contributors left the Fund for a net increase of 969 over the preceding year. At the end of the period under review, there were 85,243 contributors of whom 1,650 were part-time and 520 were seasonal employees.

ALLOWANCES

An "allowance" under the Public Service Superannuation Act is retirement income payable in monthly instalments commencing with the month following the month in which the individual retired. The amount of an allowance is calculated according to the benefit formula under the Act and not reduced because of age or service.

As of December 31, 1989, 28,783 allowances were being paid compared with 27,766 at the end of the previous year. The total number of recipients consisted of:

20,083	pensioners;
7,589	surviving spouses and children of deceased contributors or pensioners;
1,111	disability pensioners.

This represented an increase of 1,017 allowances over the preceding year.

ANNUITIES

An "immediate annuity" under the Public Service Superannuation Act is similar to an allowance but the amount is reduced to reflect age and/or service which is less than the requirements for an allowance. Monthly payments commence with the month following the month in which the individual ceased to be employed.

A "deferred annuity" under the Public Service Superannuation Act is payable at a specific date in the future, such as age 60 or 65 depending upon the commencement date of employment in the Ontario public service, to an individual who is no longer an active member of the Plan. At the former member's discretion, payment of an immediate annuity, at a reduced amount, may be made within ten years of the former member's normal pension commencement date.

At the end of the period under review there were:

4,602	former contributors receiving annuities;
520	surviving spouses and children in receipt of annuities;
947	former contributors who will receive deferred annuities from a later date.

This represented an increase of 494 annuities over the preceding year.

PAYMENTS, REFUNDS AND TRANSFERS TO OTHER PENSIONS

During the period April 1, 1989 to December 31, 1989:

1,564	former employees received refunds of contributions, with interest;
49	former employees who were not eligible for an allowance received payments of twice their contributions, with interest;
15	spouses and children received lump sum death benefits equal to twice the deceased contributor's contributions, with interest;
60	former employees transferred their contributions and credit to other pension funds.

OPTIONS FOR MILITARY SERVICE AND PAST PENSIONABLE SERVICE WITH ANOTHER EMPLOYER

During the period 134 contributors made contributions for military service in World War II or the Korean War. Also, 244 contributors made contributions for pensionable service with employers recognized for transfer purposes under the Public Service Superannuation Act.

The amount contributed to the Fund by these employees was $441,626.

OPTIONS FOR PAST SERVICE WITH ONTARIO GOVERNMENT

During the period April 1, 1989 to December 31, 1989, 3657 contributors made payments for past continuous non-contributory service with the Ontario Government. Furthermore, 766 employees made contributions in order to reinstate previous periods of pensionable service with the Ontario Government.

The amount paid into the Plan by these contributors during the period under review was $2,453,563.

OPTIONS FOR LEAVE OF ABSENCE

During this period, 398 contributors established credit for unpaid leave of absence. The amount contributed to the Plan by these contributors was $248,795.

CONTRIBUTIONS ON BEHALF OF DISABLED CONTRIBUTORS

Also during this period April 1, 1989 to December 31, 1989, the employer paid $7,858,164 into the Fund on behalf of 5,481 disabled contributors who had qualified for a benefit under the Long Term Income Protection Plan. This amount was in addition to the usual matching contribution paid under Section 10(1) of the Public Service Superannuation Act.

RANSFERS INTO AND OUT OF THE PLAN

During the period April 30, 1989 to December 31, 1989, 92 contributors established additional credit in the Ontario Public Service Superannuation Plan by transferring from other pension plans and 60 former contributors transferred their contributions and credit in the Public Service Supperannuation Plan to other pension plans.

On December 31, 1989, reciprocal transfer arrangements were in effect between the O.P.S.S.P. and the following:

Alberta Civil Service Superannuation Fund
Anglican Church of Canada Pension Fund*
Baptist Convention of Ontario and Quebec*
British Columbia Public Service Superannuation Fund
Canada Public Service Superannuation Fund
Canada Broadcasting Corporation Pension Fund
Carelton University Pension Fund
Central Mortgage and Housing Corporation Pension Fund
Evangelical Lutheran Church of Canada Pension Fund*
Hospital for Sick Children Employees Pension Fund
Hospitals of Ontario Pension Fund
McMaster University Pension Fund
Manitoba Civil Service Superannuation Fund
New Brunswick Civil Service Superannuation Fund
Newfoundland Civil Service Superannuation Fund
Nova Scotia Civil Service Superannuation Fund
Ontario Educational Communications Authority Pension Fund
Ontario Energy Corporation
Ontario Hydro Pension Fund
Ontario Institute for Studies in Education Pension Fund
Ontario Municipal Employees Retirement Board

Ontario Research Foundation Pension Fund
Ontario Teachers' Superannuation Fund
Prince Edward Island Civil Service Superannuation Fund
Quebec Civil Service Pension Fund
Queen's University Pension Fund
Retirement Pension Plan of Colleges of Applied Arts and Technology
Saskatchewan Power Corporation Pension Fund
Sisters of St. Joseph
United Church of Canada Pension Fund*
University of Guelph Pension Fund
University of Ottawa Pension Fund
University of Toronto Pension Fund
University of Western Ontario Pension Fund
Urban Transportation Development Corp. Ltd.
Via Rail Canada Inc.
Worker's Compensation Board Superannuation Fund
York University Pension Fund

*Applies only to Ontario Public Service Chaplains

PUBLIC SERVICE SUPERANNUATION FUND

The amount standing to the credit of the Public Service Superannuation Fund at April 1, 1989 was $5,786,809,791 and at December 31, 1989, $6,330,642,236 (subject to verification by the Provincial Auditor). Total receipts for the year, including interest, amounted to $740,693,449 while total disbursements amounted to $196,861,004.

UNFUNDED LIABILITY

An actuarial valuation on the Public Service Superannuation Fund received in 1988 indicated a surplus of $314.0 million. However, when the amendments to the Pension Benefits Act are factored, the surplus is reduced to $71.0 million, the difference of $243.0 million being the actuarial estimate, on a present value basis of the cost of pension reform on the Plan.

COST OF ADMINISTRATION

The cost of administrative support for the operation of the Public Service Superannuation Board was subsumed in the cost of administering the provisions of the Public Service Superannuation Act by the Employee Pensions and Benefits Administration Branch of the Ministry of Government Services (Vote 1,703, Item 6). (This Branch also provided administrative services to other pension plans and benefit plans for Government employees and for members of the Legislative Assembly and their staff.)

The Chairman and members of the Public Service Superannuation Board were either civil servants in other capacities or an employee of the Ontario Public Service Employees Union and they received no additional remuneration or expense allowances of service on the Board. Cost proration is not justified under the circumstances.

ACKNOWLEDGEMENT

In submitting this Report, the Board acknowledges, with appreciation, the assistance rendered to it by the Secretariat and the management and staff of the Employee Pensions and Benefits Administration Branch, Ministry of Government Services.

TABLE I

CASES UNDER THE PUBLIC SERVICE SUPERANNUATION ACT

Allowances	Total number of recipients at March 31, 1989	Cases during year	Deaths during year	Other Terminations	Total number of recipients at December 31, 1989
Type 60 (male)	4,116	367	101	10	4,372
Type 60 (female)	1,565	146	15	2	1,694
Type 65 (male)	6,585	287	239	19	6,614
Type 65 (female)	3,846	184	81	9	3,940
Type 70 (male)	48	1	6	1	42
Type 70 (female)	30	1	3	0	28
Type 90 (male)*	2,772	340	40	2	3,070
Type 90 (female)	281	44	2	0	323
Disability (male)	634	18	18	1	633
Disability (female)	475	15	11	1	478
Dependants (widows of contributors)	2,361	58	17	0	2,402
Dependants (widowers of contributors)	206	12	5	0	213
Dependants (widows of superannuates)	4,608	209	88	1	4,728
Dependants (widowers of superannuates)	183	10	6	1	186
Dependants (children)	56	4	0	0	60
Totals	27,766	1,696	632	47	28,783

Type 60 – age 60 plus at least 20 years of contributory service.
Type 65 – age 65 plus at least 10 years of contributory service.
Type 70 – age 70 plus at least 10 years of contributory service.
Type 90 – age plus years of contributory service total at least 90 years.

*Note: of the 340 new cases, 27 are OPPA "Type 80" cases, and of the 40 deaths, 0 are OPPA "Type 80"

TABLE II
ALLOWANCES

Summary of allowances being paid as at December 31, 1989:

Dollar Amount Per Annum	Number of Allowances (Pensioners)
0 – 2,000	2,205
2,001 – 3,000	2,121
3,001 – 4,000	1,907
4,001 – 5,000	1,722
5,001 – 6,000	1,669
6,001 – 7,000	1,214
7,001 – 8,000	1,054
8,001 – 9,000	992
9,001 – 10,000	843
10,001 – 12,000	1,354
12,001 – 15,000	1,657
15,001 – 20,000	1,870
20,001 – 25,000	1,185
Over 25,000	1,401

Dollar Amount Per Annum	Number of Allowances (Dependants)
0 – 1,000	1,876
1,001 – 1,500	1,372
1,501 – 2,000	1,044
2,001 – 2,500	721
2,501 – 3,000	542
3,001 – 3,500	417
3,501 – 4,000	295
4,001 – 4,500	227
4,501 – 5,000	211
5,001 – 6,000	291
6,001 – 7,500	268
7,501 – 10,000	226
10,001 – 12,500	59
Over 12,500	40

See statistical tabulation on page 14.

The dollar amounts are P.S.S. Fund amounts and do not include supplementary benefits and escalation payments.

TABLE III

CASES UNDER THE PUBLIC SERVICE SUPERANNUATION ACT

Annuities	Total number of recipients at March 31, 1989	Cases during year	Deaths during year	Other Terminations	Total number of recipients at December 31, 1989
Immediate (60 plus, male)	736	80	21	1	794
Immediate (60 plus, female)	982	80	15	1	1,046
Immediate (less than 60, male)	672	92	7	2	755
Immediate (less than 60, female)	887	73	7	1	952
*Deferred Active (male)	550	19	13	2	554
*Deferred Active (female)	499	8	5	1	501
*Deferred Pending (male)	430	99	0	20	509
*Deferred Pending (female)	316	133	0	8	441
Dependants (widows)	415	21	4	1	431
Dependants (widowers)	86	5	7	0	84
Dependants (children)	3	0	0	0	3
Totals	5,576	610	79	37	6,070

*Deferred Annuities are denoted as "pending" until the date payment commences and are then referred to for statistical purposes as "active".

Immediate (60 plus) – age 60 or over plus at least 10 years of contributory service.
Immediate (less than 60) – under age 60 plus at least 10 years of contributory service.

TABLE IV
ANNUITIES

Summary of annuities being paid as at December 31, 1989:

Dollar Amount Per Annum	Number of Allowances (Pensioners)
0 – 2,000	1,553
2,001 – 3,000	751
3,001 – 4,000	549
4,001 – 5,000	409
5,001 – 6,000	282
6,001 – 7,000	202
7,001 – 8,000	176
8,001 – 9,000	135
9,001 – 10,000	106
10,001 – 12,000	159
12,001 – 15,000	123
15,001 – 20,000	91
20,001 – 25,000	39
Over 25,000	27

Dollar Amount Per Annum	Number of Allowances (Dependants)
0 – 1,000	298
1,001 – 1,500	105
1,501 – 2,000	37
2,001 – 2,500	28
2,501 – 3,000	14
3,001 – 3,500	13
3,501 – 4,000	7
4,001 – 4,500	5
4,501 – 5,000	1
5,001 – 6,000	7
6,001 – 7,500	0
7,501 – 10,000	3
10,001 – 12,500	2
Over 12,500	1

See statistical tabulation on page 16.

The dollar amounts are P.S.S. Fund amounts and do not include supplementary benefits and escalation payments.

This summary excludes pending deferred annuity cases.

TABLE V

NUMBER OF OTHER CASES PROCESSED UNDER THE PUBLIC SERVICE SUPERANNUATION ACT

In addition to the cases involving allowances and annuities as shown on pages 14 and 16, the following cases were processed in the period April 1, 1989 to December 31, 1989. The number of cases processed in all categories does not correspond to the number of contributors who left the Fund because of the overlap, both at the beginning and the end of the fiscal year, between the date of separation and the date of processing the benefit.

		Number of Cases During the Period
Payments (Double contributions with interest)		
Retirement		36
Disability		13
Dependants (widows, widowers, children)		15
	Sub-total:	64
Refunds		
Single contributions (with interest)		1,556
Residual balances		8
	Sub-total:	1,564
Transfers		
Transfers Out		60
	Sub-total:	60
	Total	1,688

PUBLIC SERVICE SUPERANNUATION FUND
Statement of Changes in Fund Balance
for the nine-month period ended December 31, 1989

	Nine-month period ended December 31, 1989 (note 2) ($000's)	Year ended March 31, 1989 ($000's)
Deposits		
Contributions		
Province of Ontario	103,459	121,419
Boards and commissions	13,121	14,076
Designated branches	257	310
	116,837	135,805
Employees	116,837	135,805
Without equivalent contributions by employer – sundry	531	887
Employer re:		
Employees receiving long term income protection benefits	7,858	10,222
Transfers from other plans	6,744	9,385
Interest earnings	491,886	581,037
	740,693	873,141
Payments		
Allowances (including supplementary benefits) to superannuates, beneficiaries and annuitants	224,252	268,504
Supplementary benefits – recovery from the Province	(43,180)	(57,791)
	181,072	210,713
Refunds of contributions and interest	13,667	16,418
Transfers to other plans	2,122	4,351
	196,861	231,482
Net increase in the Fund	543,832	641,659
Fund balance on deposit with the Treasurer of Ontario,		
– beginning of period	5,786,810	5,145,151
– transfer from Superannuation Adjustment Fund account for the Public Service Superannuation Fund (note 2)	594,094	–
– transfer from Ontario Provincial Police Supplementary Benefits Account (note 2)	12,433	–
– end of period	6,937,169	5,786,810

See accompanying notes to financial statement.

Approved:

PUBLIC SERVICE SUPERANNUATION FUND

Notes to Financial Statement
December 31, 1989

1. DESCRIPTION OF THE PLAN

The following brief description of the Public Service Superannuation Plan (the Plan) established under the Public Service Superannuation Act (the Act) is provided for general purposes only. For more complete information, reference should be made to the Act. Contributions and benefit payments made in accordance with the terms of the Plan are accounted for in the Public Service Superannuation Fund (the Fund).

(a) General

The Plan is a contributory defined benefit pension plan of the Province of Ontario and is mandatory for persons who satisfy eligibility requirements provided in the Act. Under this plan, contributions are made by plan members, the Province of Ontario, and designated provincial agencies, boards and commissions. The Fund is held by the Province and is maintained within the Consolidated Revenue Fund (C.R.F.).

(b) Funding Policy

Members are required to contribute 4.2 per cent of salary for Canada Pension Plan (C.C.P) eligible earnings and 6.0 per cent of remaining earnings to the Fund. The Province matches the amount of member contributions and makes payments for certain members in the Plan who are on long term disability.

The Pension Benefits Act, 1987 (P.B.A.) requires that the Province of Ontario, acting as the Plan sponsor, ensure that the benefits determined under the Plan are adequately funded. The determination of the required funding is made on the basis of a triennial actuarial valuation.

(c) Pension Portability and Commuted Value

Contributions made to the Plan for service prior to January 1, 1987 are locked-in when a member reaches 45 years of age and has 10 or more years of continuous service or employment. Contributions made to the Plan for service on or after January 1, 1987 are locked-in when a member has two or more years of continuous membership in the Plan. The contributions are to provide a member with a pension at their normal retirement age.

A member who ceases to contribute to the Plan and who is entitled to a deferred pension may have the option to transfer the commuted value of the deferred pension to a designated pension vehicle. The commuted value represents the present value of pension benefits which will become payable at some future date.

1. DESCRIPTION OF THE PLAN (Cont'd)

(d) Superannuation Allowances

A normal superannuation allowance is available based on:

- the members' vested pensionable service (pre-1987) service vests at ten years contributory service or continuous employment; post-1986 service vests at two years of continuous membership);
- the best five year or three year average salary depending on the credit date in the Fund; and
- two per cent of this average salary for each year of contributory service, to a maximum of 35 years service, payable at age sixty-five or age sixty depending on the credit date in the Fund.

Both reduced and unreduced superannuation allowances are available under combinations of minimum attained age and years of pensionable service or under other circumstances as outlined in the Act.

Because contributions to the Plan are integrated with the C.P.P., the superannuation allowance is reduced at age sixty-five the C.P.P. retirement benefits or for disability benefits upon the receipt of a C.P.P. disability allowance.

(e) Survivor Allowances

For retirements prior to January 1, 1988, a survivor allowance, equal to 50 per cent of the allowances mentioned above, is available to the spouse or an eligible child of a member who has a minimum of ten years credit in the Fund.

In accordance with the P.B.A., for retirements that occur on or after January 1, 1988, the survivor allowance will not be less than 60 per cent. The retirement benefit will be actuarially reduced to compensate for this improved survivor allowance. However, the legislation permits the spouse of the member to waive his/her entitlement to this improved survivor allowance and thereby avoid any actuarial reduction in the retirement benefit. Members may elect to increase the survivor allowance to a maximum of 75 per cent of the basic superannuation allowance by reducing their retirement benefit.

(f) Post-Retirement Death Refunds

Upon the death of a pensioner, a refund of residual contributions may be payable to the estate as determined under the Act.

(g) Other Refunds

Upon application, and subject to the lock-in provisions, refunds are payable with interest when a member ceases to be eligible to participate to the Plan

1. DESCRIPTION OF THE PLAN (Cont'd)

(h) Income Tax

The Plan is a Registered Pension Plan as defined by the Income Tax Act and therefore is not subject to income tax.

(i) Augmentation of Pensions

Upon order by the Lieutenant Governor is Council, additional payments are made to certain pensioners where the allowances under the Act are below a prescribed amount. Additionally, cost-of-living escalations are paid to pensioners who are not entitled to receive cost-of-living escalations under the Superannuation Adjustment Benefits Act. These payments are made from the C.R.F.

(j) Interest Revenue

Each fiscal period, the excess of inflows over outflows (net cash flow) earns interest at a rate which is fixed by Order in Council. This rate also applies to the reinvestment of funds which matured during the fiscal period. For the nine months ended December 31, 1989, the rates were:

Net Cash Flow	11.65%
Average Rate Paid on the April 1, 1989 Opening Balance	11.24%

2. CHANGES IN LEGISLATION

In accordance with the Public Service Pension Act, 1989:

- The Public Service Superannuation Fund (the Fund) established under the Public Service Superannuation Act is continued as the Public Service Pension Fund (P.S.P.F.).

- As of December 31, 1989, the assets and liabilities of the Public Service Superannuation Fund Account in the Superannuation Adjustment Fund and the Ontario Provincial Police Supplementary Benefits Account were transferred to the Fund.

- As of January 1, 1990, the assets and liabilities of the Fund were transferred to the P.S.P.F. and the Fund ceased to exist in the Consolidated Revenue Fund. The transfer of assets was made by the issuance of non-marketable debentures of the Province of Ontario.

3. BASIS OF ACCOUNTING

Deposits to the Public Service Superannuation Fund (the Fund) include employee contributions and the applicable matching employer contributions, pertaining to employment service for the period ended December 31, 1989. Non-matching contributions and interest earnings for the nine months ended December 31, 1989 are also included.

Payments from the Fund are recorded when paid.

Deposits received and payments made after December 31, 1989 which relate to the Fund will be recorded by the Public Service Pension Fund.

4. ADMINISTRATIVE EXPENSES

Administrative expenses are paid by the Province of Ontario. After December 31, 1989, administrative expenses will be paid from the Public Service Pension Fund.

5. FINANCIAL STATUS OF THE FUND

The adequacy of the assets available in the Public Service Superannuation Fund (the Fund) for benefits is determined by a triennial actuarial valuation. The latest valuation filed with the Pension Commission of Ontario covered the period ending December 31, 1985 and showed an actuarial surplus of $109.9 million.

The impact on the funded position of the Fund on January 1, 1990, resulting from the changes in legislation, described in note 2, will be determined by an actuarial valuation. This will be done under the direction of the Public Service Pension Board (the Board) pursuant to the Public Service Pension Act, 1989. A preliminary actuarial valuation prepared in 1989, estimated an unfunded liability of $1.9 billion as at January 1, 1990 and the Province will fund the unfunded liability over 40 years, in accordance with legislation. Interim payments by the Province based on the estimated initial unfunded liability for the next three years are as follows:

Year	$ million
1990	89.6
1991	94.5
1992	99.7

The amount of these payments will be adjusted when the actuarial valuation prepared for the Board is filed with the Pension Commission of Ontario.

INTEREST EARNED
BY THE P.S.S. FUND

Interest was credited to the Public Service Superannuation Fund out of the Consolidated Revenue Fund on the following basis:

(i) on the balance at the credit of the Fund on March 31, 1989 at a rate of 11.24208 percent per annum, the effective rate of interest equivalent to the combination of rates applicable to the various portions of the balance;

(ii) on the net amount deemed to have entered the Fund each month from April 1 to December 31, 1989 at a rate of 11.65 percent per annum and credited from the date such increases are deemed to have entered the Fund to the end of 1989.

Interest will be credited to the Public Service Pension Fund out of the Consolidated Revenue Fund at a rate of 11.65 percent per annum for twenty-five years subsequent to December 31, 1989, on the net increase in the Fund for the period April 1 to December 31, 1989 of 543,832,445.